LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6383 **DATE PREPARED:** Dec 8, 1998
BILL NUMBER: SB 149 **BILL AMENDED:**

SUBJECT: Payments in lieu of property taxes.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Department of Natural Resources (DNR) to make a semi-annual payment in lieu of property taxes (PILOT) for land owned or leased by the DNR, except for land used as a state park. The legislative body of a county and the board of directors of a conservancy district may collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value of $165 per acre. This bill makes an appropriation for a PILOT from the State General Fund.

Effective Date: March 1, 1999 (retroactive); July 1, 1999.

Explanation of State Expenditures: The DNR oversees the management of approximately 320,244 acres. Of this acreage, approximately 61,000 acres are identified as land belonging to state parks. Subtracting the state park acreage from the total DNR acreage leaves approximately 259,244 acres on which the DNR would be liable for taxes. (Brown County qualifies as the county with the greatest percent of property owned by the DNR. DNR properties constitute approximately 20% of all Brown County land. The second largest percent was 8% in Monroe County, with the third largest, 7%, in Clark and Scott Counties. These county percentages include state park land.)

Applying the AV rate of $165 per acre would result in an AV for DNR properties of $42,775,260. The PILOT would first be due in 2000. The 1999 statewide average net property tax rate is estimated at $8.6583 per $100 AV, and the year 2000 average net rate is estimated at $8.8843 per $100 AV. Using the estimated tax rates, the state's liability is estimated at $3,703,610 in calendar year 2000 and $3,800,282 in calendar year 2001. **State fiscal year impacts are estimated at $1,851,805 in 2000 and $3,751,946 in 2001.** The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

The bill establishes the PILOT Transfer Fund. An annual transfer from the State General Fund to the PILOT Transfer Fund would be made in the amount necessary to fund the PILOT. The bill also makes an appropriation from the PILOT Transfer Fund for the PILOT distribution. Expenses for administering the fund are to be paid from money in the fund.

The State Board of Tax Commissioners, the Department of Natural Resources, and the Auditor of State will experience additional administrative expenses if the proposal becomes law. The Tax Board is required to prescribe forms on which the Auditor of State will convey information regarding the state-owned land to township assessors. The DNR is to make semi-annual payments to counties and conservancy districts. The specific impact of these provisions is currently indeterminable.

Explanation of State Revenues: The State Treasurer is to invest money in the PILOT Transfer Fund not needed to meet the obligations of the fund in the same manner as other public money may be invested.

Explanation of Local Expenditures: Revenue collections by counties and/or conservancy districts will not be affected. The tax liabilities of local taxpayers, however, could decrease if the PILOT is significant enough to affect the tax rate.

As a point of information, recent studies suggest that 39 states have some type of program to compensate local units for state-owned property. (The properties considered included all types of state property and were not limited to property managed by a natural resources agency.) No state reimburses all local governments for 100% of the property taxes that would be due on all state property. Costs for state compensation programs ranged from $26,000 in Nevada to $59 million in New York. Of the 39 states that do provide some form of compensation to local units for the presence of state land, 24 make payments for "wildlands," or lands that would fall under the oversight of a state agency comparable to Indiana's DNR.

Indiana compensates school districts for expenses incurred for educating a student who is a dependent of a state employee who resides on state-owned property. The state-owned property involves primarily DNR property. According to the Department of Education, payments from the state to the affected school corporations equaled approximately $200,000 in 1995, $188,000 in 1996, and $133,000 in 1997. Figures for 1998 are incomplete at this time.

Explanation of Local Revenues: See Local Expenditures.

State Agencies Affected: Department of Natural Resources, Auditor of State, and the State Board of Tax Commissioners.

Local Agencies Affected: Counties, Townships, and Conservancy Districts.

Information Sources: Jim Lewis, Department of Administration, Land Office Division (232-3335); State Board of Tax Commissioners, Local Government Database; Department of Natural Resources (233-6904); Department of Education; Sylvia Adams, State Programs for Compensating Local Governments for State-owned Property (Albany, NY, New York State Board of Equalization and Assessment) January 1990, pp.6-7; Thomas G. Griffen, Compensating Local Governments for Loss of Tax Base Due to State Ownership of Land (New York State Office of Real Property Services) September 1996; Christina Fong and Jeff Kuenze, Reimbursing Municipalities for the Presence of State-Owned Properties (University of Massachusetts at Amherst, Office of Institutional Research) March 1994, p.8.